Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 934 (Substitute S-3 as reported)
Senate Bill 1138 (Substitute S-1 as reported)
Senate Bill 1139 (Substitute S-1 as reported)
Senate Bill 1140 (Substitute S-1 as reported)
Sponsor: Senator Wayne Schmidt (S.B. 934 & 1138)
Senator Curtis S. VanderWall (S.B. 1139)
Senator Jeremy Moss (S.B. 1140)

CONTENT

Senate Bill 934 (S-3) would amend the Michigan Liquor Control Code to allow a small wine maker or an out-of-State entity that was the substantial equivalent of a small wine maker to sell and deliver wine that it manufactured to a retailer in the State if certain conditions were met.

Senate Bill 1139 (S-1) would amend the Michigan Liquor Control Code to do the following:

-- Revise the definition of "wine" to include mixed spirit drink.
-- Delete a provision requiring the Michigan Liquor Control Commission (MLCC) to levy and collect on all mixed spirit drink sold in the State a tax at a rate of 48 cents per liter if sold in bulk or a like ratio if sold in smaller quantities.
-- Delete a provision requiring the MLCC to issue a salesperson license to an individual who is a designated employee of a manufacturer of mixed spirit drink or an outstate seller of mixed spirit drink.
-- Delete from various provisions and definitions references to "mixed spirit drink", "mixed spirit drink manufacturer", and "outstate seller of mixed spirit drink".
-- Allow a supplier to take certain actions, including advertising the name and location of a retailer, to assist a consumer seeking to have an alcoholic beverage sold by the supplier delivered or direct shipped to the consumer's home or allowed designated location by a retailer, if certain conditions were met.
-- Delete a provision prohibiting the MLCC from issuing an SDM license, an SDD license, or any other license that allows the sale of alcoholic liquor for off-premises consumption in conjunction with a license issued under Section 521 or at the premises for which a license has been issued.

Senate Bill 1138 (S-1) would amend the Michigan Liquor Control Code to do the following:

-- Revise certain provisions pertaining to a retailer who holds a specially designated merchant (SDM) license to refer to a *qualified* retailer and provide the definition of a "qualified retailer".
-- Delete from various provisions references to "mixed spirit drink", "mixed spirit drink manufacturer", and "outstate seller of mixed spirit drink".
-- Prohibit a wine maker that held a direct shipper license from holding a license in another state that was the substantial equivalent to a retailer license.

-- Allow a qualified small distiller to sell and deliver spirits to a retailer licensed to purchase and sell spirits in the State, if certain conditions were met, and provide the definition of a "qualified small distiller".

Senate Bill 1140 (S-1) would amend the Michigan Liquor Control Code to delete from various provisions and definitions references to "mixed spirit drink", "mixed spirit drink manufacturer", and "outstate seller of mixed spirit drink".

Senate Bill 934 (S-1) is tie-barred to Senate Bills 1138 through 1140. Senate Bill 1138 (S-1) is tie-barred to Senate Bills 1139 and 1140. Senate Bill 1139 (S-1) is tie-barred to Senate Bills 934, 1139, and 1140. Senate Bill 1140 (S-1) is tie-barred to Senate Bills 1138 and 1139.

Proposed MCL 436.1203b (S.B. 934) Legislative Analyst: Stephen Jackson
MCL 436.1203 (S.B 1138)
436.1105 et al. (S.B. 1139)
436.1609 (S.B 1140)

FISCAL IMPACT

The bills would have a significant negative fiscal impact on State government and a negative fiscal impact of unknown magnitude on local units of government.

The Michigan Liquor Control Commission estimates that the bills would have resulted in a $22.5 million revenue loss to the State based on fiscal year (FY) 2018-19 figures for sales of spirits between 10% and 21% ABV, had the bills been in effect at that time. Profits transferred to the General Fund would have been reduced by about $14.6 million. In addition, revenue from specific 4.0% taxes on liquor would have resulted in revenue loss of $2.6 million each to the General Fund, the Convention Facility Development Fund, and the School Aid Fund. Increased sales in FY 2019-20 indicate that the revenue loss associated with the bill would be greater than these figures for FY 2020-21.

The removal of the 48-cents-per-liter tax on mixed spirits drinks also would decrease revenue to the General Fund. The MLCC collected about $832,200 from the 48-cent tax in FY 2017-18. If the same amount of mixed drinks spirits had been subject to the 13.5-cent tax as under the bills, the State would have collected approximately $233,000. The exact amount of lost revenue that could result from the removal of the 48-cent tax would depend upon the volume of spirits sold. This figure is likely to increase if current consumption trends continue.

The MLCC notes that the taxes collected from the spirits newly distributed by wholesalers would be insufficient to make up for the overall revenue loss associated with the bills. In addition, it is possible that fewer distributors would renew licenses, resulting in revenue loss of unknown magnitude to the General Fund as well as local units of government. However, it is possible that an unknown number of licensees and entities could seek additional licenses under the bill.

The $50 fee on motor vehicles used for delivery of wine by a small wine maker would go the Michigan Craft Beverage Council, housed in the Department of Agriculture and Rural Development.

The Commission also likely would experience increased administrative costs associated with these changes.

Date Completed: 11-4-20 Fiscal Analyst: Elizabeth Raczkowski

floor\sb934 Bill Analysis @ www.senate.michigan.gov/sfa